DRAFT

WORK FORCE RESTRUCTURING PLAN FOR PORTSMOUTH PLANT, OHIO AND PADUCAH PLANT, KENTUCKY

February 2000

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NOTE:

THERE IS NO GUARANTEE THAT ANY SUBSEQUENT PROGRAMS WILL OFFER BENEFITS EQUAL TO THESE. NOR IS IT THE INTENT OF THE U.S. DEPARTMENT OF ENERGY IN IMPLEMENTING THIS PLAN TO CREATE ANY PRIVATE RIGHTS OF ACTION OR CREATE ANY RIGHTS IN THIRD PARTIES.

PROVISIONS OF THIS PLAN ARE NOT INTENDED TO REPLACE NORMAL SEPARATION BENEFITS TO WHICH ELIGIBLE CONTRACTOR EMPLOYEES WOULD NORMALLY BE ENTITLED UNDER THEIR CONTRACT, COLLECTIVE BARGAINING AGREEMENT, OR PREVIOUSLY ESTABLISHED COMPANY HUMAN RESOURCES POLICY.

ALL BENEFITS ARE SUBJECT TO AVAILABILITY OF APPROPRIATED FUNDS. THE DEPARTMENT OF ENERGY RESERVES THE RIGHT TO MAKE CHANGES IN THIS PLAN AS CIRCUMSTANCES DICTATE.

INTRODUCTION

This work force restructuring plan has been developed to fulfill the provisions of the Energy Policy Act of 1992 and the Omnibus Consolidated Rescissions and Appropriations Act of 1996 relating to the Department of Energy's (DOE) responsibilities in the case of a plant closing or mass layoff at the Portsmouth, Ohio or Paducah, Kentucky, Gaseous Diffusion Plants (GDP). Those statutes authorize DOE to treat any adversely affected-employee in a manner consistent with the provisions of section 3161 of the National Defense Authorization Act for Fiscal Year 1993. This plan updates the work force restructuring plan submitted to the Congress in October 1997.

DOE has developed this draft plan in consultation with the United States Enrichment Corporation (USEC), a private enterprise that currently operates the two plants.

Through its Site Offices at Portsmouth and Paducah, the Department will provide full opportunity for local and regional stakeholders who may be affected by work force restructuring to assist in the planning process. Preliminary estimates indicate that additional funding that is included in the FY 2000 supplemental and the FY 2001 budget requests could support approximately 600 additional positions at the two facilities.

This draft plan will be provided to local area stakeholders for review and comment. Local stakeholder meetings to discuss the draft plan will be held in order for DOE to receive additional ideas and respond to any questions or concerns. Representatives from the Portsmouth and Paducah Site Offices will provide background information on the work force restructuring process. Suggestions and other ideas will be carefully considered and, as appropriate and to the extent practicable, will be included in the final plan. A record of all comments will be kept and the basis for rejecting specific recommendations in the final plan will be maintained and documented. Copies of plan drafts and the final plan will be placed in the U.S. DOE Environmental Information Center at 3930 Perimeter Road, Piketon, Ohio, 45561, (740) 289-3317, and at the DOE Environmental Information Center at 175 Freedom Blvd. Kevil, Kentucky, 42053, (270) 463-2550. Copies will also be available at the Paducah Public Library, 555 Washington St. Paducah, Kentucky, 42002, (270) 442-2510.

The plan can also be viewed on the DOE Office of Worker and Community Transition homepage at http://www.wct.doe.gov/ under the section "What's New". Comments can be transmitted electronically to the Portsmouth Site Office at qxm@ornl.gov, the Paducah Site Office at jacksonjd@oro.doe.gov, or to the Office of Worker and Community Transition at terence.freese@hq.doe.gov.

I. Work Force Restructuring Announcement

On February 3, 2000, USEC announced its intention to reduce approximately 850 positions at the Portsmouth and Paducah plants, beginning in July, 2000. The announcement indicates that the company has concluded that these reductions are required in response to declining market conditions.

USEC's announcement indicates that a voluntary reduction in force will be offered consistent with existing company policy. At a minimum, this program will allow workers who choose to separate, and by so doing avoid an involuntary separation to receive a payment equal to what they would be entitled to earned severance and other benefits available to involuntarily separated workers. An involuntary separation program will be initiated if there are not sufficient volunteers to meet the announced work force reduction target. The company anticipates that reductions will be divided approximately equally between the two plants in Paducah, Kentucky and Portsmouth, Ohio. The company pledged to work closely with unions, state and local officials, the Department and Congress in support of timely implementation of worker and community transition programs.

The Secretary of Energy on February 3, 2000 indicated that the Department does not support these reductions but is committed to honor its responsibilities to mitigate the impact of the reductions consistent with the objectives of section 3161.

II Plant Histories

The Paducah GDP began production of enriched uranium in 1952. The plant's mission of uranium enrichment has remained unchanged, and the original facilities are still in operation, albeit with substantial upgrading and refurbishment.

The Portsmouth GDP, built in the 1950s, was needed to provide Uranium-235 at rates substantially above those of the existing production facilities at Oak Ridge, Tennessee, and Paducah. Portsmouth was chosen in the late 1970s as the site for a new enrichment facility using gas centrifuge technology. Construction of the Gas Centrifuge Enrichment Plant began in 1979 but was halted in 1985 because the demand for enriched uranium decreased, and laser technology promised to be a more efficient and economical supply of enriched uranium for the future. The highly-enriched uranium (HEU) operations were shut down beginning in 1991.

The Energy Policy Act of 1992 mandated that the management of the uranium enrichment enterprises at Portsmouth and Paducah be assumed by USEC. As a result, the DOE and USEC entered into a six-year lease effective July 1, 1993.

As of September 30, 1999, a total of approximately 3,853 workers were employed at the GDPs, approximately 2,082 at Portsmouth and 1,771 at Paducah. At that time, the DOE was funding work activities such as surveillance and maintenance and environmental cleanup covering approximately 800 of these workers, through Bechtel Jacobs Company, procured staff services from USEC, and subcontractors.

III. DOE Activities and Responsibilities

A. Current and Programmed Work Scope Funded by the DOE Office of Nuclear Energy (NE)

1. Current Work Scope

NE currently funds a series of tasks at the Portsmouth and Paducah GDPs that support approximately 176 positions. In addition, those positions require additional support personnel at the East Tennessee Technology Park (ETTP) in Oak Ridge, Tennessee. The Bechtel Jacobs Company (BJC) LLC manages most of these tasks for DOE under a management & integration (M&I) contract. The work covered under these tasks includes:

a. <u>Management of the Depleted Uranium Hexafluoride (DUF_6) Cylinder Surveillance and Maintenance Scopes at Portsmouth, Paducah, and the ETTP</u>

The uranium enrichment operations described in Section I started in the early 1940s at the K-25 Plant in Oak Ridge and continued with similar plants at Portsmouth and Paducah. Enrichment operations to-date have resulted in the generation of approximately 57,000 depleted uranium cylinders. Most of these cylinders are 48" in diameter and contain nominally 14 tons of DUF_6. The management program consists of activities to assure the integrity of these storage cylinders by utilization of periodic inspections, moving and stacking to assure a safe storage configuration and periodic painting to arrest corrosion due to direct exposure to the weather. The management program is structured to meet the requirements of the Site(s) Safety Analysis Reports (SARs), the requirements of the Defense Nuclear Facilities Safety Board Guidance 95-1, the Ohio EPA Director's Final Findings & Orders, and the Tennessee Department of Environmental Compliance Commissioner's Order.

b. Administration of the Lease Between DOE and USEC

The DOE formed USEC as a government organization in 1993 to provide for the enrichment services in accordance with the Energy Policy Act of 1992. The DOE and USEC entered into a lease arrangement where those facilities operated by USEC fell under the term of "leased facilities" and those facilities remaining under DOE control and responsibility were termed "non-leased facilities." The specific facilities that fall under these categories are identified on a "lease map" and that map, supplemented by a detailed listing of building and facility numbers, reflects the current status of the lease. The lease map and the associated facility listing are maintained for DOE and USEC by BJC.

c. Management of Polychlorinated Biphenyls (PCBs) at Portsmouth and Paducah

The piping systems for the GDPs at Portsmouth and Paducah were constructed in the early 1950s when the utilization of PCB-bearing materials was common practice. Many of the gaskets in the ventilation system ducts are made of materials that contain PCBs, and with the presence of various lubricating oils, result in periodic drips of PCB-laden oil from the connecting flanges. A drip containment troughing system was constructed a number of years ago to assure that all possible PCB drips were contained; however, this system requires periodic maintenance and repair. BJC, via work authorizations with USEC, provides a maintenance force that conducts corrective maintenance and provides for the cleanup of any spills that may occur.

d. Active and Inactive Facility Maintenance

Many of the facilities at Portsmouth and Paducah are approaching fifty years of age, and those at ETTP are approaching sixty years. As the mission of the GDPs has changed over the years, many of those facilities have been either modified for other uses or placed in an inactive state. NE provides for the maintenance of those facilities with regard to periodic inspections, compliance with fire safety for the protection of the facility, and routine maintenance to assure facility integrity. NE also provides for maintenance of the roads and grounds by cutting the grass in the summer time and maintaining the site road system.

2. Funding of Current and Ongoing Work Scope

The funding for NE work comes from a combination of Congressionally-appropriated funds and Memorandum of Agreement (MOA) funds accrued by the Treasury since the commencement of the operation of the GDPs by USEC. Also, for Fiscal Year 2000, $1.96 million in additional Fiscal Year 2000 funds have been provided via a Fiscal Year 1999 reprogramming as well as a FY 2000 budget amendment in the amount of $3.1 million. Therefore, NE funding for Paducah and Portsmouth for Fiscal Year 2000 totals approximately $21.6 million. There is also an additional $5 million available for the DUF6 conversion project.

Funds will provide for cylinder painting and disposal of cylinder yard debris at Paducah and PCB activities and maintenance work at Portsmouth. Additional work also includes validation and/or establishment of the current status of transuranic and technetium-99 contamination in the Department's DUF_6 inventory; stabilization of inactive facilities where transuranic materials are known to exist; acceleration of UF4 inventory and repackaging; and updating the hazard identification and analysis section of the safety analysis report. It is anticipated that 20-40 additional positions will be involved in these activities. This work will be accomplished primarily utilizing the existing work force through either existing subcontracts or new competitive awards. These subcontracts will continue to incorporate provisions for minimizing the impact on affected workers.

3. Current Work Scope Staffing

The estimated mid-Fiscal Year 2000 combined NE staffing levels for Paducah and Portsmouth are summarized as follows:

	Fiscal Year 2000
Bechtel Jacobs Company	16
Subcontractors	80
USEC Support to Bechtel Jacobs Company*	80
Total NE Supported Full-Time Employees (FTE)	176

* Estimated values

4. DUF_6 Conversion

DOE is currently preparing a Request for Proposal (RFP) for Uranium Conversion Services. The award of this contract will provide for the design, construction, operation, and ultimate D&D of uranium conversion facilities at the Portsmouth and Paducah GDP sites. The contract may or may not include the cylinder maintenance program. These uranium conversion plants will convert the existing inventory of DUF_6 into a more stable product suitable for disposition over a nominal twenty-five year period.

The USEC employees currently supporting the DUF_6 Cylinder Surveillance, Testing, and Maintenance work at Portsmouth will continue to provide that support through the BJC Site Services subcontract with WASTREN/USEC until the scope of the DUF6 conversion plants contract is finalized. At Paducah, the USEC/Paper, Allied Industrial, Chemical and Energy Workers International (PACE) employees currently supporting the DUF_6 cylinder work will transfer to BJC once a labor agreement is in place. BJC will perform this work itself until the work is transferred to the selected DOE uranium conversion services contractor or to a BJC subcontractor.

5. DUF_6 Work Force Transition Provisions

The Initial Draft Request for Proposal on this project included language calling attention to the fact that significant labor relations complexities must be addressed to assure mission success and that effective project management will include utilization of the existing work force and displaced workers to the maximum extent practicable. The solicitation included specific work force transition provisions including hiring preferences to follow the removal of current work from BJC for employees with “grandfathered” status under the BJC’s M&I contract and provisions related to retained service credit and pension coverage.

The Department received numerous comments to the initial draft RFP related to labor strategy and work force transition issues. These included clarifying covered employees, benefits, and work scope, as well as to establish mechanisms to assure availability of trained workers utilizing the incumbent work force to the maximum extent practicable. The Department is determining what changes will be made to respond to these concerns in a formal draft RFP. The Department will incorporate any additional provisions included in the final RFP for this project in the final work force restructuring plan, and will assure that the contract includes explicit provisions requiring the contractor to adhere to the terms and conditions of the work force restructuring plan.

B. Work Funded by the DOE Office of Environmental Management (EM)

1. Current Work Scope

The DOE Oak Ridge EM mission is to manage risks to human health and the environment posed by contaminated sites and facilities, legacy waste, and newly-generated waste in the most cost-effective and responsible manner to provide for future beneficial reuse. At the end of FY 1999, approximately 630 workers at the sites supported EM activities. As of February 1, 2000, about 650 workers support these EM activities, with approximately 300 at Paducah and 350 at Portsmouth. The EM work scope at each site is defined in the DOE Oak Ridge Operations' Accelerated Cleanup Paths to Closure (1999). The Accelerated Cleanup Plan reflects completion milestone of 2012 for Paducah and 2014 for Portsmouth. Site-specific current year work scope is contained in the Paducah and Portsmouth 2000 Fiscal Year Baselines, with priorities based on regulatory agreements (e.g., Paducah Federal Facilities Agreement and Portsmouth Administrative Order of Consent).

The projected mid-Fiscal Year 2000 combined EM staffing levels for Paducah and Portsmouth are as follows:

	Fiscal Year 2000
Bechtel Jacobs Company	70
Subcontractors*	500
USEC Support to Bechtel Jacobs Company	80
Total EM Supported FTEs	650

*Estimated

2. Contracting Strategy/Transition Provisions

In Fiscal Year 2000, BJC will complete implementation of the M&I contract subcontracting plan, resulting in approximately 90 percent of available EM funding being expended through competitively awarded subcontracts or through support agreements with site operating contractors (including USEC at Paducah and Portsmouth). The majority of BJC subcontracting actions were initiated or completed in Fiscal Year 1999, with the remaining subcontract awards scheduled for early Fiscal Year 2000 and their full implementation expected by April 2000. Accomplishment of this subcontracting milestone by April 2000 will also reflect completion of the work force transition provisions of the M&I contract. All work force transitions to BJC and to its subcontractors will be at substantially equivalent pay and benefits, with continuation of company service credit, and participation in the Multiple-Employer Pension Plan (MEPP). Impacted incumbent workers will be provided with a right-of-first-refusal for positions with new subcontractors.

Agreements have been developed between USEC and PACE covering application of "bump back" rights for member employees transitioning from USEC to BJC and its subcontractors. These agreements provide an opportunity for any transitioned member employee who is subsequently separated from employment with BJC or its subcontractors to exercise his or her rights to fill positions with USEC based on provisions in the collective-bargaining agreement for a period of two years. Transitioned employees would have a further option to exercise a one time bump back right, whether they had been separated or not, through 7:00 am, July 31, 2001.

An agreement has been reached between USEC and BJC on the transfer of pension assets and liabilities for transitioned employees, which will allow movement of workers without adverse impact on their pension or retiree medical benefits. The companies have also reached agreements on severance responsibilities for employees who may transition between the firms.

In addition, BJC and PACE have identified specific work scope included in their baseline activities that will be available for PACE-represented workers. An addendum to the collective-bargaining agreement is being developed which will establish provisions for treatment of "grandfathered employees" (defined as either an employee of a Lockheed Martin company on March 31, 1998, or a PACE member at Portsmouth or Paducah on the date the addendum was ratified for this scope of work). The addendum will establish specific provisions addressing fringe benefits, filling vacancies, and establishing training programs.

Finally, BJC has established ongoing work authorizations with USEC at Paducah and Portsmouth for captive services at each site.

3. Funding and Staffing Summary

The EM funding planned for the Paducah and Portsmouth portion of the overall DOE Oak Ridge EM program scope is $54.2 and $46.1 million, respectively, for Fiscal Year 2000, including a $10 million FY 2000 budget amendment.

DOE anticipates that approximately 10-13 percent of these funds will be allocated to BJC costs for management and integration of the EM program and for management of BJC subcontracts and work authorizations. DOE also anticipates that approximately $8-12 million in Fiscal Year 2000, or 8-12 percent of available EM funding, will be allocated to USEC for captive site services, utilities and infrastructure support, and laboratory services at Paducah and Portsmouth. This figure is expected to decrease over time as the EM work scope transitions from routine operational activities with significant site interfaces to project-based remediation and D&D sub-projects.

DOE expects that the remaining budgeted EM funds at Paducah and Portsmouth, or approximately 75 percent of the total, will be committed to and spent through competitively awarded, fixed-price contracts for clean-up activities. .

Activities supported by the budget amendment will accelerate tasks already included in each site's EM baseline to characterize and clean up areas of radioactive contamination that may include transuranics, as interim actions to reduce worker and public exposure. The Drum Mountain Removal Project will be initiated at Paducah. At Portsmouth, 800 containers of high hazard X-616 sludge will be shipped for disposal at an approved offsite location. Investigation and removal of low levels of transuranic contamination will be initiated at both sites.

C. Proposed additional FY 2000 and FY 2001 Funding

On January 28, 2000, Secretary of Energy Bill Richardson announced that the Administration will request substantial new funding for cleanup, waste management, worker transition activities and conversion projects which over a two year period more than doubles the investment at the Paducah and Portsmouth Plants. Preliminary estimates indicate that this funding could result in as many as 550-600 additional positions performing work in the Portsmouth and Paducah communities. As a result, total DOE funded positions at the two sites could be as many as 1,450 positions by FY 2001, made up of approximately 200 NE supported positions, 750 EM supported positions with currently available FY 2000 funding and the potential 500 positions that could be supported by the FY 2000 supplemental and FY 2001 budget requests. This compares to the approximately 800 positions supported by DOE funds at the two facilities at the end of FY 1999.

At Paducah, the 2001 budget request will propose the following preliminary allocation:

- $78 million for cleanup activities;
- $23.9 million for uranium hexaflouride conversion and cylinder management programs (including $6 million in MOA funds for theDUF6 Conversion Project);
- $4.3 million for environmental health and safety studies and health monitoring; and
- $3 million for worker and community transition activities.

Cleanup funds will be used to:

- remove a pile of drums containing scrap metal (known as Drum Mountain) and begin to characterize the burial ground underneath it;
- continue to remove the remaining 51,000 tons of contaminated scrap in eight outside storage areas to reduce contamination in creeks and permit characterization of the burial grounds underneath;
- dispose of 5,000 low-drums of low-level radioactive waste; and

- ship over 2,000 drums of hazardous and radioactive waste to an offsite facility.

The FY 2000 supplemental cleanup budget request will speed up work already planned to characterize and cleanup areas of radioactive contamination, dispose of waste and stabilize shutdown facilities. Contaminated equipment would be removed from two shutdown facilities, a metals reduction plant and a feed plant, this year, at least a year earlier than previously planned.

At Portsmouth, the FY 2001 budget will propose the following preliminary allocation:

- $76.2 million for cleanup work;
- $27 million for the uranium hexaflouride conversion and cylinder management programs (including $6 million in MOA funds for the DUF6 Conversion Project);
- $4.3 million for environmental health and safety studies and health monitoring; and
- $6 million for worker and community transition activities.

Cleanup funds will complete final corrective actions to cleanup contaminated groundwater plumes at the south side of the site. The Department will begin the design for and construction of actions to clean up contaminated soil and the plume on the northeast side of the site.

Supplemental funds in FY 2000 would be used to dispose of more than 1,000 boxes of contaminated sludge and soil. Eighteen thousand containers of mixed, low-level waste will be characterized to meet criteria for the receiving disposal facility. The waste to be disposed of includes personal protective equipment, sampling equipment, floor sweepings and other miscellaneous debris that are contaminated with low levels of radioactive material. Closing of a waste storage area would be completed this year, at least a year earlier than previously planned.

D. DOE Responsibility to Mitigate Work Force Reductions Impacts

For changes in the work force that are necessary as a result of changes in activities which DOE funds at these plants, the Department has an ongoing responsibility under section 3161 and 3163 of the Fiscal Year 1993 National Defense Authorization Act. These provisions: (1) require the Secretary of Energy to develop a work force restructuring plan for submission to Congress when a determination is made that a change in the work force is necessary; (2) direct preference-in-hiring for adversely-affected workers, to the extent practicable, by DOE contractors; and (3) establish objectives to mitigate the adverse impacts of work force restructuring on workers and the communities in which they reside. The Department has a direct interest in utilizing workers with experience in the operations and safety policies at these sites and, who already possess, or can rapidly receive, necessary security clearances.

While DOE has no ongoing role in overseeing USEC work force management or its operations, under the provisions of the Energy Policy Act and section 3110 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, DOE retains the responsibility to apply the requirements and objectives of section 3161 to mitigate the impacts of any future work force restructuring involving workers who were employed at the GDPs prior to July 1, 1993. In meeting this responsibility, the Department will consult with USEC to secure necessary information.

IV. Work Force Restructuring To Date

A. Pre-Privatization

A work force restructuring plan was submitted to Congress for Portsmouth and Paducah in October 1997. The plan provided separation procedures and benefits that paralleled those available at Oak Ridge, in recognition of the integration of the involved contractors. Between Fiscal Year 1995 and the implementation of privatization in July 1998, a total of 260 workers were separated at the GDPs, all but 14 of whom were separated from Portsmouth. Only 37 of these separations were involuntary.

B. Post-Privatization Work Force Restructuring Through June 30, 2000

1. Treasury Memorandum of Agreement

As part of the implementation of privatization, USEC entered into an agreement, (relevant portions of which are included in Appendix A) with the Department of Treasury on July 14, 1998, that included the following provisions relevant to maintaining the work force at the GDPs:

a. USEC committed to operate until at least January 1, 2005, the two gaseous diffusion plants for the provision of enrichment services at a level reasonably determined to be appropriate by the USEC companies. USEC could be relieved from this commitment if certain "significant events" occurred, including a number of business performance measures specifically defined in the agreement.

b. USEC further agreed, "to the extent commercially practicable,... to take steps calculated in good faith to ensure that work force reductions at the plants through USEC's Fiscal Year 2000 (June 30, 2000) do not exceed 500 employees and are effected in substantially equal parts in each of USEC's Fiscal Years 1999 and 2000."

c. USEC is seeking to achieve such work force reductions through a program of voluntary separations before instituting involuntary separations and provide benefits to the work force that are no less generous than would have been the case prior to privatization.

2. DOE/USEC MOA

In order to implement the provisions of the USEC/Treasury MOA, DOE entered into a separate agreement with USEC on June 30, 1998 (Appendix B). This agreement established a voluntary separation incentive program that provides payments equal to an additional one week's pay per year of service, which is double the level provided under regular severance; and a choice between a menu of enhanced benefits, under certain terms and conditions, including outplacement assistance, career transition assistance, relocation assistance, pre-and post-separation education assistance, and displaced worker medical benefits, or a lump sum payment of $7,500. A $20 million fund provided from a portion of assets available as a result of privatization was established to cover the costs of these separation benefits.

3. Work Force Restructuring To Date Since Privatization

a. Voluntary Separations - Through December 31, 1999, a total of 474 workers participated in this program, including 280 workers at Portsmouth and 192 workers at Paducah. An additional 28 applications are currently under review. Participants included 308 salaried workers and 164 hourly workers. As a result, no involuntary separations will be required. Approximately 90 percent of the separating workers have chosen the lump sum cash benefit. The average value of separation benefits associated with this program have been over $40,000, which is substantially more generous than provided at other DOE facilities.

b. Placement/Training - USEC has been successful in reassigning employees who were in positions that were no longer required for its business needs. In addition, training programs are being utilized to allow for additional workers to be retained at the plants. The Office of Worker and Community Transition (the Office) recently approved use of funds available under the USEC/DOE MOA to defray a portion of training costs for operator positions that has the prospect for allowing as many as 15 protective force employees, who would otherwise have been separated, to remain employed at Portsmouth.

V. Community Transition To Date

A. Paducah Gaseous Diffusion Plant (GDP)

In April 1998, the Paducah Area Community Reuse Organization (PACRO) requested and received a planning grant from the Department for $400,000. The funding was used to conduct an analysis of the region's strengths, weaknesses, opportunities and threats (SWOT) and served as the basis for a regional economic development and worker retraining plan. The plan identified four areas for investment: facility reuse, worker reuse/retraining, entrepreneurial development and regional economic development.

In February 1999, PACRO requested $8 million in community transition funding to implement the four investment proposals identified in the SWOT analysis. The DOE and the Economic Development Administration (EDA) in the Department of Commerce jointly reviewed and approved the grant application. In July 1999, the Department approved $6 million to PACRO for grant implementation purposes. The grant is being used to support: 1) an entrepreneurship information clearing-house and revolving-loan fund; 2) business/industry retention and expanding marketing and technical assistance to business entrepreneurs; 3) training and re-employment coordination and skill services assessments; 4) identification of regional industrial park sites and incubator buildings; 5) marketing and recruitment of new businesses and industry; and 6) reuse, lease and sale of the Paducah GDP infrastructure assets, facilities and property inventory. The grant is expected to help economic development programs in the counties surrounding the Paducah GDP to create approximately 325 jobs in the next three years. PACRO has requested that the Department approve the remaining $2 million of the initial $8 million funding request to accelerate assistance in PACRO's role as leasing agent related to facility reuse and reindustrialization.

B. Portsmouth Gaseous Diffusion Plant (GDP)

In November 1995, the Southern Ohio Diversification Initiative (SODI) requested, and was awarded, a planning grant for $325,000 from the Department. The funding was used to conduct a SWOT analysis of the region and served as the basis of a community transition plan for the area. In May 1997, SODI requested, and was awarded, $175,000 from the Department in order to complete the SWOT study. The completed study identified six areas for investment: industrial park development, high-tech business incubator development, small business seed fund, capital improvements regional marketing plan, work force training and asset/facility reuse and an intermodal transportation facility.

In July 1997, SODI requested and received $500,000 in community transition funding to implement the six investment proposals identified in the SWOT analysis and transition plan. An additional $6.5 million was requested by SODI in August 1997 in order to continue implementing the initiatives in the transition plan. The Department and the EDA jointly reviewed and approved the grant in March 1999. The grant is being used for the following purposes: 1) development of two industrial parks that will include access to highway, rail, water, sewer and power; 2) regional incubator feasibility study that will support new business startups in nuclear research, environmental restoration, computer software and hardware, and biotech/medical service and products areas; 3) enterprise training and development programs that will expand jobs by creating new local businesses by providing training in entrepreneurship, business development and technical assistance; 4) labor market analysis that will improve interaction between employers and educational institutions and match current and future work force with worker training; 5) airport improvement program to enhance airport services; and 6) regional geographic information system that will perform fiscal and economic impact analyses to identify project outcomes. The grant is expected to help economic development programs in the counties surrounding the Portsmouth GDP to create 900 jobs in the next four to five years.

In December 1998, SODI requested $5.9 million in community assistance in order to continue the implementation of the economic diversification initiatives already underway. The grant request has been approved by the Office, the EDA, and the Office of Worker Retraining and Adjustment Programs in the Department of Labor.

VI. Existing Programs to Mitigate Potential Work Force Restructuring after June 30, 2000

B. DOE-Related Work Force Restructuring

1. Bechtel Jacobs Company (BJC) M&I Transition

The DOE management and integration (M&I) contract with BJC includes requirements for work force transition and management, including the corporate transition to BJC (completed April 1, 1998) and the transition to subcontractors (in process and planned for completion by April 1, 2000). These work force transition provisions are applicable to incumbent grandfathered employees employed by BJC and by USEC supporting M&I work at both Paducah and Portsmouth.

The M&I work force transition provisions include right-of-first-refusal for available positions with BJC or BJC subcontractors; substantially equivalent pay and benefits; continuation of company service credit; continuation of pension benefits; recognition of the current labor representation with PACE; and continuation of severance benefits in accordance with the DOE-approved severance plan.   DOE will reimburse as an allowable cost expenses incurred as a result of work force restructuring undertaken by BechtelJacobs or its subcontractors for workers covered under these provisions.

2. DOE-Related Work Force Restructuring Involving USEC Workers

In the event that reductions in USEC employment supported by DOE funds are required after June 30, 2000, the following procedures and benefits will apply. USEC will be responsible to fund benefits provided for under its human resources policies and collective bargaining agreements.   DOE will be responsible for funding of any enhancements to these benefits.

<u>USEC selection process for involuntary reduction-in-force</u> (IRIF)

a. Salaried Employees at Portsmouth and Paducah

- Employees are selected for IRIF using the criteria provided in the "Termination of Employment" procedure (UE2-HR-EY-1031,R1). IRIF selection criteria include past performance, relevant education and training, possession of critical skills, transferability of skills, and company service.

- The IRIF selection process is managed by Staffing Allocation Review Teams (SART) to assure equity and consistency. The SART at each plant is made up of the General Manager, Enrichment Plant Manager and a group of organization managers.

- The selection process is also monitored by the Disparate Impact Team (DIT) to assure that the IRIF does not result in an adverse impact by race, sex, age, disability, or other prohibited factors. The DIT at each plant is made up of the Manager of Work Force Diversity and a separate group of organization managers.

- Employees selected for IRIF will be advised to use the Employee Concerns Program to raise and resolve concerns or complaints about the selection process.

b. Hourly Employees at Portsmouth

- Employees are declared "surplus" in each classification that is to be reduced.

- Declaring the surplus automatically triggers provisions in both the PACE and UPGWA labor contracts which allow for more senior employees in these classifications to take a voluntary reduction-in-force (VRIF) if they wish.

- If enough more senior employees do not participate in the VRIF, the balance of least-senior employees is involuntarily laid off.

c. Hourly Employees at Paducah

- Least-senior employees will be laid off from each affected classification. (There are no provisions for automatic VRIFs.)

<u>Severance pay and other benefits of IRIF employees</u>

Severance Pay

Employees who are involuntarily laid off receive a severance pay allowance based on company service. Severance pay allowances differ somewhat between salaried and hourly employees and between the two plants. The following chart provides severance pay allowances for selected company service milestones.

Severance Pay

Weeks of Pay				
	5 years	10 years	20 years	30 years
Salaried (both plants)	4.3	8.7	19.5	30.4
PORTS - UPGWA	4.0	9.0	16.0	23.0
PORTS - PACE	3.0	8.0	13.0	18.0
PAD - UPGWA	3.0	5.0	15.0	25.0
PAD - PACE	3.0	6.0	16.0	26.0
Rough Average (not weighted)	3.5	7.3	15.9	24.5
Avg. Wks. Pay Per Yr. Of Service	.70	.73	.80	.82

Involuntarily separated employees who do not retire concurrently will receive the following benefits:

- Employees may continue their medical and dental coverage under the Consolidated Budget Reconciliation Act of 1985 (COBRA) for up to eighteen months. COBRA rate for this coverage is 102 percent of the total annual premium cost of the plan.

- Employees may convert from the company group life insurance policy to an individual policy directly with the insurance company, with the employee paying 100 percent of the conversion rate.

- In general, employees who have at least five years of credited service before the IRIF will be vested for a pension.

- Employees who elect to retire concurrently with their involuntary separation are eligible for retirement benefits which may differ from these IRIF benefits.

d. <u>Displaced Worker Medical Benefits Program</u>

In order to ensure that employees involuntarily separated are not denied access to medical care benefits, the Department's Displaced Medical Worker Benefits Program shall be available for separated workers who were employees at the GDPs on September 27, 1991, and who are not eligible for coverage under another employer's group health plan or under Medicare since the time of separation, consistent with Departmental regulation and guidance. Costs for workers separated from USEC and not transitioned to DOE-funded work at the sites, will be borne by the Department of Energy.

e. <u>Enhanced Separation Benefits</u>

Additional separation benefits may be requested by the Portsmouth or Paducah Site Offices in consultation with the funding program and the Office. Consideration of such a request will be made consistent with guidance developed for implementation of section 304 of the Energy and Water Development Appropriations Act, which requires that any benefits provided pursuant to section 3161 be funded from within resources available in the Worker and Community Transition account. Based on funding provided to this program in Fiscal Year 2000, it is anticipated that the following benefits would be available.

<u>Training Assistance</u>

The Office anticipates providing funds to support training programs for displaced, or potentially displaced workers, at the Gaseous Diffusion Plants, that will assure availability of skills necessary to fill positions required for DOE-funded activities at the plants. The Office will facilitate the sharing of information on work force planning activities with USEC, BJC, DOE programs, and field organizations in advance of requirements so that training can be provided in a timely manner to allow transition of workers to new positions at the plants.

In addition, it is anticipated that separated workers would be provided training/education assistance to facilitate transition to new employment outside the Portsmouth and Paducah sites. The Office will work with Community Reuse Organizations at the respective sites to assure their appropriate participation in implementation of this training assistance.

Outplacement Assistance

It is anticipated that career transition and outplacement assistance will be provided to separated workers.

Relocation Assistance

It is anticipated that relocation assistance for employment at other DOE facilities will be provided under terms consistent with established DOE guidance.

Voluntary Separation Program

An opportunity for workers to voluntarily separate and receive payment equal to earned severance if, by so doing, an involuntary separation can be avoided may be provided.

f. Potential Additional Benefits

Enhanced Separation Payments

Benefits previously provided under the MOA between DOE and USEC were possible because of the availability of $20 million in non-appropriated funds as part of the final privatization transition process. These enhanced benefits, which averaged nearly $29,000 per participating worker were more than double the enhanced separation benefit level provided at other DOE facilities.

Neither currently available funding, the above referenced FY 2000 supplemental budget request, nor the FY 2001 budget request, is sufficient to support continuation of the benefit levels included in the MOA based on the scope of reductions announced by USEC. Such a program would require an additional approximately $25,000 per participating worker to be provided above the budget request in the Worker and Community Transition appropriation. Currently available and requested funds may allow the option of providing a lump sum cash benefit in lieu of the above-enumerated benefits.

Early Retirement

Early retirement options may be considered by USEC to mitigate the impact of required separations. Among the factors to be considered are the ability of this approach to mitigate the impact of planned reductions, the number of likely participants, skill mix issues, availability of pension assets to support such a benefit change, and the impact of Internal Revenue Service and other regulations.

B. Preference-In-Hiring

a. DOE Directly-Funded Work

Section 3161 includes provisions calling for preference-in-hiring of displaced workers. Guidance for applying this benefit is included as Appendix C. The Oak Ridge Operations Office has developed additional implementation procedures for facilities under its direction including Portsmouth and Paducah, which is included as Appendix D. As previously noted, an addendum to the BJC-PACE collective-bargaining agreement establishes hiring procedures for PACE members in covered work scope.

b. DOE Indirectly-Funded Activities

Activities supported with DOE community transition funds will include provisions to encourage preference-in-hiring for displaced workers.

C. USEC Work Force Restructuring Not Related to DOE Funding

After June 30, 2000, there are no limitations on work force adjustments that USEC may choose to implement based on its business requirements. However, as previously noted, the DOE retains a responsibility to help mitigate the impact of any mass layoff or plant closure decision.

USEC has announced its intention to provide an opportunity for workers to participate in a voluntary reduction in force program. At a minimum, this will provide that workers who choose to voluntarily separate, and by so doing avoid the need for an involuntary separation shall be eligible to receive a payment equal to their earned severance, along with other benefits available to involuntarily separated workers. USEC will be responsible for covering the portion of these costs associated with involuntary separation benefits, and DOE would reimburse costs associated with additional benefits provided to involuntarily separated workers as described above.

1. Notification From, and Consultation With, USEC

DOE and USEC have agreed to share certain information necessary for the Department to fulfill its continuing responsibilities at the Paducah and Portsmouth plants under section 3110 of the USEC Privatization Act and section 3161 of the National Defense Authorization Act for Fiscal Year 1993. Accordingly, pursuant to section 15.8, Further Assistance of the Lease Agreement, USEC provides to DOE the following information with as much advance notice as possible but at least 60 days before USEC or its contractors implement a plant closing or mass layoff as those terms are defined in 29 U.S.C. section 2101(a)(2) and (3):

- An estimate of separation costs and estimated number of potentially affected employees who were employees of an operating contractor at either plant on July 1, 1993.

- Copies of collective-bargaining agreements, including Appendix A.

- Copies of any applicable personnel policy manual, employee handbook, or any other statement of employment terms and conditions of employment for employees not covered by collective-bargaining agreement.

- Non-pension benefit plans and any applicable summary plan document.

- Any defined benefit or defined contribution pension plan and any applicable summary plan document.

- Any additional information related to the implementation of material changes to employment levels at the GDPs that may be relevant to DOE fulfilling its responsibilities under section 3161.

- In addition to the specific information requested above, under the terms of the MOA, USEC agrees to give DOE a general notice at least 120 days before implementation of its intent to implement a plant closing or mass layoff.

- DOE acknowledges that the information requested may contain proprietary, confidential or commercial information. DOE agrees to withhold information identified as proprietary, confidential or commercial from disclosure or release to any third party, consistent with and subject to, applicable law including the Freedom of Information Act, 5 U.S.C. section 552. DOE will not disclose or release any such information claimed by USEC as proprietary, confidential, or commercial without considering the views of USEC pursuant to Executive Order 12600.

- The Office and the Portsmouth and Paducah site offices will maintain ongoing communication with USEC in order to plan for potential work force restructuring, including identifying skills of potentially displaced workers in order to facilitate advance training programs to meet DOE-funded work at the sites.

2. Enhanced Separation Benefits

In addition to regular USEC benefits as previously enumerated, subject to availability of funds, DOE may provide enhanced separation benefits as described above through operating program, worker and community transition appropriations, or funds made available under the DOE/USEC MOA. Utilization of funds under the MOA would reduce funds potentially available from that source for community economic development activities.

The Department would expect to provide displaced medical, education, outplacement and relocation assistance consistent with the previous description for reductions based on changes in DOE activities. Additional enhanced benefits would be considered on the same basis as previously discussed for reductions based on changes in DOE activities.

3. Training Programs

The Office will place priority on supporting training activities as previously described in order to facilitate transition of workers displaced by USEC business activities to fill positions required to perform DOE- funded activities. In supporting these activities, the Office will closely coordinate work force planning information between USEC and BJC.

VII. Potential Additional Community Assistance

A. Paducah, Kentucky

In Fiscal Year 2000, PACRO is expected to request $8 million for additional community assistance in order to continue the implementation associated with the regional industrial park, infrastructure development, the construction of speculative buildings and facility reuse. PACRO intends to request $6 million in Fiscal Year 2001 for the continuation of most of the efforts ongoing in Fiscal Year 2000 including existing industry programs, additional costs associated with the regional industrial park, infrastructure development and the construction of speculative buildings. Approval of these requests is contingent on availability of funds, consistent with established community transition assistance criteria.

B. Portsmouth, Ohio

In late 1999, SODI held public planning meetings to develop transition strategies and projects for funding in Fiscal Year 2001. While the actual projects are not formalized, the following areas are expected to be addressed in future funding requests ($5 - 7 million) by SODI to the Department:

- Support of new and existing programs for the plant site work force. This may include training, outplacement services, and increased public participation programs using the local Displaced Worker Database.
- Develop reindustrialization opportunities. This may include infrastructure, building renovation, surplus disposition, and new construction.
- Support subcontracting of worker training and retraining programs, local capacity building projects, and support of business expansions and startups.
- Support of the DUF_6 Conversion Plant.

Approval of these requests is contingent on availability of funds, consistent with established community transition assistance criteria.

APPENDIX A

AGREEMENT REGARDING POST-CLOSING CONDUCT

THIS AGREEMENT, dated as of July 14, 1998, is by and between the United States Department of the Treasury (“Treasury”) on behalf of the United States Government, the United States Enrichment Corporation (“USEC”), a federally chartered corporation, the outstanding capital stock of which is held by the Secretary of the Treasury, on behalf of the United States Government, United States Enrichment Corporation, a Delaware corporation (“USEC Delaware”), USEC Inc., a Delaware corporation (“USEC” Inc.), and USEC Services Corporation, a Delaware corporation (“USEC Services”) (USEC Delaware, USEC Inc. and USEC Services collectively, the “USEC Companies” and each a “USEC Company”) References herein to USEC shall be references solely to the corporation itself and not the United States Government or any other agencies or instrumentalities thereof.

WHEREAS, pursuant to the Atomic Energy Act of 1954, as amended by the Energy Policy Act of 1992 (Pub. L. No. 102-486, 106 Stat. 2776) (the “Energy Policy Act”), and the USEC Privatization Act, as enacted in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134, 110 Stat. 1321, 1321-335) (the “Privatization Act”) (collectively, the “Privatization Legislation”), the Board of Directors of USEC (the “Board”) has determined that the transfer of ownership of the assets and obligations of USEC to a private corporations and the transfer of the interest of the United States in USEC to the private sector by means of an initial public offering (the “Offering”) will satisfy the conditions precedent to privatization established by the Privatization Legislation, and the Secretary of the Treasury has approved such determination; and

WHEREAS, in connection with the Offering, it is contemplated that (i) USEC will be merged into USEC Delaware, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the “USEC Merger Agreement”); (ii) each outstanding share of the common stock of USEC will be converted into shares of the common stock of USEC Delaware; (iii) all of the outstanding shares of capital stock of USEC Delaware will be sold to certain underwriters (the “Underwriters”) to be named in an underwriting agreement among Treasury, USEC, USEC Inc., USEC Delaware and the Underwriters (the “Underwriting Agreement”), at the time on the date specified in the Underwriting Agreement (the “Closing”); (iv) USEC Delaware will be merged with a wholly owned subsidiary of USEC Inc. formed solely for the purpose of such merger, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the “USEC Delaware Merger Agreement”); (v) each outstanding share of common stock of USEC Delaware will be converted into shares of the common stock of USEC Inc.; and (vi) the shares of common stock of USEC Inc. will be offered to the public by the Underwriters; and

WHEREAS, the USEC Companies desire to enter into a contractually binding commitment to operate until at least January 1, 2005, the two gaseous diffusion plants leased to the USEC Companies by the Department of Energy (each a “Plant” and collectively the “Plants”) (subject to the terms and conditions specified in this Agreement) and to undertake any workforce reductions at the Plants during the first two years after the date of this Agreement in the manner described in this Agreement; and

WHEREAS, Treasury, USEC and the USEC Companies desire to set forth certain additional agreements among themselves relating to the Offering;

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, and as one of the inducements for the Secretary of the Treasury to approve the decision of the Board to privatize USEC by means of the Offering, the parties hereto hereby agree as follows:

XIV. Post-Closing Conduct.

(a) USEC and the USEC Companies acknowledge that certain obligations are imposed upon USEC and the USEC Companies under the Privatization Legislation. USEC and the USEC Companies shall abide by and comply with the Privatization Legislation, including without limitation, Section 3111 (b) of the Privatization Act.

(b) From and after the Closing until the third anniversary of the Closing, the USEC Companies shall not sell, assign, transfer or otherwise dispose of, in a single transaction or a series of related transactions, all or substantially all of the uranium enrichment assets and properties or uranium enrichment operations of the USEC Companies, other than to USEC Inc. or an entity that is directly or indirectly wholly owned by USEC Inc.

(c) USEC and the USEC Companies acknowledge that the provisions of the Privatization Act provide that the Board, with the approval of the Secretary of the Treasury, shall transfer the interest of the United States in USEC to the private sector in a manner that provides for the continuation of the operation of the Plants. Accordingly, from and after the Closing until at January 1, 2005, the USEC Companies shall continue Operation of both of the Plants; provided, however, that this paragraph shall not restrict the termination by the USEC Companies of the Operation of a Plant if a Significant Event" has occurred with respect to such Plant. For the purpose of this paragraph, (i) "Operation" shall mean the use of the Plants for the provision of enrichment services, at a level reasonably determined appropriate by the USEC Companies, and (ii) a "Significant Event" shall mean: (u) any event beyond the reasonable control of the USEC Companies including, but not limited to, fires, floods, acts of God, transportation delays, acts or failures to act of government authorities or third parties, or inability to secure labor, materials, equipment or utilities that prevents the continued Operation of a Plant by the USEC Companies, (v) that the Operating Margin of USEC Inc. is less than10% in a twelve consecutive month period, (w) that the long-term corporate credit rating of USEC Inc. is, or is reasonably expected in the next twelve months to be downgraded below an investment grade rating, (x) the Operating Interest Coverage Ratio of USEC Inc. is less than 2.5x in a twelve consecutive month period. (y) a decrease in annual worldwide demand for Separative Work Units ("SWU") to less than 28 million SWU, or (z) a decrease in the average price for all SWU under USEC's long-term firm contracts to less than $80 per SWU (in 1998 dollars). For purposes of this paragraph, (i) "Operating Margin" shall mean (x) earning plus interest, taxes and any extraordinary, nonrecurring charge divided by (y) total revenue, (ii) Operating Interest “Coverage Ratio” shall mean (x) earnings plus interest and taxes divided by (y) gross interest expense. Nothing contained in this Agreement shall be construed to modify any obligation that USEC or the USEC Companies may have with respect to the Plants under the Lease Agreement between USEC and the Department of Energy dated as of July 1, 1993, as amended, or under any state or federal law, rule, regulation, order or permit applicable thereto.

(d) USEC’s Strategic Plan dated September 1997 and adopted by the Board in January 1998 (the “Strategic Plan”) contemplates certain reductions in the workforce at Plants through USEC Inc.’s fiscal year 2000. To the extent commercially partible, the USEC Companies shall (i) take steps reasonably calculated in good faith to ensure that workforce reductions at the Plants through USEC Inc.’s fiscal year 2000 are conducted in a manner consistent with the Strategic Plan, do not exceed 500 employees, and are effected in substantially equal parts in each of USEC Inc.’s fiscal years 1999 and 2000, (ii) in each of USEC Inc.’s fiscal years 1999 and 2000, seek to achieve such workforce reductions through a program of voluntary separation before instituting a program of involuntary separation, (iii) with respect to such workforce reductions, provide benefits and take other measures to minimize workforce disruptions that are no less favorable to the workforce than would have been the case prior to the privatization of USEC and that are in accordance with the agreement between USEC and the Department of Energy concerning worker assistance to be entered into prior to the Closing. The foregoing provisions (w) shall not be construed to limit employee terminations for cause or workforce reductions through normal employee attrition, (x) shall be subject to any applicable collective bargaining agreements involving the Plants’ workforce, (y) shall not be construed to create any third-party beneficiary rights, (z) shall terminate on the second anniversary of the date of this Agreement.

APPENDIX B

MEMORANDUM OF AGREEMENT
BETWEEN THE UNITED STATES DEPARTMENT OF ENERGY
AND THE UNITED STATES ENRICHMENT CORPORATION
RELATING TO ADMINISTRATION OF WORKER TRANSITION SERVICES

THIS MEMORANDUM OF AGREEMENT is entered into as of June 30, 1998, by and between the UNITED STATES DEPARTMENT OF ENERGY (“DOE”) and the UNITED STATES ENRICHMENT CORPORATION (“USEC or the “Corporation”).

WHEREAS, USEC operates the gaseous diffusion plants (“GDP’s”) using contractor employees, and currently the operating contractor is Lockheed Martin Utility Services (LMUS):

WHEREAS, USEC anticipates that a reduction in employment of these contractor employees is likely to be necessary in the next two years;

WHEREAS, USEC and DOE prefer to achieve the necessary reductions in employment through attrition and voluntary separations to the extent commercially practicable in accordance with applicable laws and contractual commitments and wish to mitigate or prevent adverse impacts of those reductions by providing enhanced benefits;

WHEREAS, the Department’s Office of Worker and Community Transition is responsible for overseeing the development and implementation of plans for restructuring the work forces at the Department’s defense nuclear facilities and for providing worker transition services for the adversely affected workforces, and thus has relevant expertise in administering the development and implementation or worker transition programs:

WHEREAS, section 161v. Of the Atomic Energy Act provides that the Department may provide services in support of USEC, provided that the Department collects payments or other charges sufficient to ensure recovery of its costs;

WHEREAS, section 1311 of the Atomic Energy Act authorizes the Corporation to request to use on a reimbursable basis the available services of agencies of the United States including the Department;

NOW, THEREFORE, under authority of the USEC Privatization Act, the Energy Policy Act, the Atomic Energy Act and other law, DOE and USEC hereby agree as follows:

ARTICLE 1 DEFINITIONS

The following terms when capitalized and used in this Agreement shall have the meanings indicated below.

"Affected Communities" means Piketon, Ohio, and Paducah, Kentucky, and surrounding communities.

"Affected Employees" means those employees currently employed by the O&M Contractor at the Gaseous Diffusion Plants at Piketon, Ohio, and Paducah, Kentucky, whose employment by O&M Contractor is terminated pursuant to a voluntary or involuntary separation plan carried out in accordance with Article 3(a).

"Atomic Energy Act" means the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§2011 et. seq.

"Energy Policy Act" means the Energy Policy Act of 1992, Title IX of Public Law 102-486.

"Fiscal Year" means USEC's fiscal year, which begins July 1 and ends June 30.

"Fund" has the meaning ascribed to it in Article 2.

"Gaseous Diffusion Plants" or GDP's means the gaseous diffusion plants at Paducah, Kentucky and Piketon, Ohio owned by DOE, portions of which are leased to USEC under the Lease Agreement Between the United States Department of Energy and the United States Enrichment Corporation, dated July 1, 1993, as amended.

"O&M Contractor" means the contractor employed by USEC to operate the GDP's, currently Lockheed Martin Utility Services.

"Privatization Date" means the date on which 100 percent of the ownership of the Corporation has been transferred to private investors pursuant to the USEC Privatization Act.

" Secretary" means the Secretary of Energy.

"USEC Privatization Act" means Title III of Public Law 104-134.

ARTICLE 2 FUNDING MECHANISM

Prior to the Privatization Date, USEC shall transfer $20 million to an account in the U.S. Treasury designated by the Department of the Treasury ("the Fund") to be administered by DOE to accomplish the purposes set forth in this Agreement, including Attachment A.

ARTICLE 3 WORKER TRANSITION SERVICES

(a) DOE shall, at USEC's request, assist USEC in formulating and implementing a plan to achieve any necessary reductions in employment at the GDP's during Fiscal Years 1999 and 2000 in accordance with following criteria:

(1) Reductions shall be achieved through attrition and voluntary programs to the extent commercially practicable;

(2) Reductions shall be structured to preserve the skill mix that USEC concludes is necessary at the GDP's, with reductions targeted by plant, department, function and job classification to achieve the employment levels specified by USEC; and

(3) In the event the required workforce reductions are not achieved through voluntary programs, DOE shall, at USEC's request, assist USEC in implementing an involuntary reduction program;

provided that, consistent with the requirements of sections 161v. And 1311 of the Atomic Energy Act, any expenses incurred by DOE in providing such advice are to be paid only from amounts available in the Fund. (DOE estimates that such expenses will not exceed $200,000.)

(b) Using amounts available in the Fund, DOE shall be responsible for administering or overseeing the administration of a program for providing enhanced benefits (Fund Enhanced Program) to Affected Employees. Such benefits shall be in addition to any benefits the Affected Employees are otherwise entitled to receive from the O&M Contractor pursuant to any applicable labor contracts or employee benefit policies or procedures.

(c) The O&M Contractor, or such other entity as agreed upon by DOE and USEC with funds provided by DOE, shall provide enhanced benefits to the Affected Employees in a manner agreed to by DOE and USEC; provided that, the total costs of administering the Fund Enhanced Program, including DOE's costs and the amount of any funds provided under this Agreement to the Affected Employees, does not exceed the total amount in the Fund: and further provided that the O&M Contractor is responsible for identifying the Affected Employees and further provided that the amount of funds provided to an Affected Employee shall be determined in accordance with this Agreement and Attachment A.

ARTICLE 4 COMMUNITY TRANSITION SERVICES TO BE PROVIDED BY DOE

(a) A portion of the Fund shall be available for allocation by DOE in a manner agreed to by DOE and USEC to the Affected Communities for economic development proposals that would create employment suitable for the Affected Employees. The parties currently estimate the portion to be allocated for this purpose will be five million dollars ($5 million).

ARTICLE 5 HIRING PREFERENCE BY DOE

In addition to the benefits provided pursuant to Article 3, DOE shall, where practicable, extend a preference in the hiring at DOE facilities to any eligible adversely affected employee of an operating contractor at either plant pursuant to section 3110 of the USEC Privatization Act and section 3161 of the National Defense Authorization Act of Fiscal Year 1993.

ARTICLE 6 EXPIRATION OF AGREEMENT

(a) Any funds not expended or obligated within two (2) years of the Privatization Date under Article 3 shall be made available for purposes specified in Article 4.

(b) In the event that the Privatization Date does not occur by June 30, 1999, either party shall have the option to terminate this Agreement by written notice to the other party upon 30 days' notice.

ARTICLE 7 MODIFICATIONS AND PRIVATIZATION

(a) Amendments. Except for changes made pursuant to Article 7(b) hereof, no change to this Agreement shall be valid or binding unless such change is agreed to in writing by the parties.

(b) Privatization . If USEC is privatized and its duties and obligations are assumed by a private corporation pursuant to such privatization, this Agreement shall survive and shall be transferred to such private corporation without the need for DOE or USEC to take any further action. In such event, the name of such private corporation shall be substituted for that of USEC in this Agreement.

ARTICLE 8 MISCELLANEOUS

(a) Force Majeure. A Party shall not be liable for any delay in, or prevention of, performance of its obligations under this Agreement to the extent due to a "Force Majeure. " A Force Majeure shall mean any event arising from causes beyond the control of a Party that causes a delay in or prevents the performance of any obligation by that Party under this Agreement, including, acts of God; fire; war; insurrection; civil disturbance; explosion; acts or a failure to act despite reasonably diligent maintenance; other circumstances that represent an imminent danger to human health, safety or the environment; adverse weather conditions that could not be reasonably anticipated; unusual delay in transportation; restraint by court order or order of public authority;

and delays caused by compliance with applicable statues of regulations governing contracting procurement or acquisition procedures, despite the exercise of reasonable diligence. Force Majeure shall include increased costs or expenses.

(b) Entire Agreement. This Agreement contains the entire understanding of DOE and USEC with respect to the subject matter of this Agreement.

(c) Notices. Unless otherwise agreed by the parties, communications concerning this Agreement may be made by electronic or facsimile transmission (hard copy to follow) and shall be made the following:

For DOE:

Robert DeGrasse, Jr.
Director, Office of Worker and Community Transition
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585
Fax: 202-586-8403

For USEC:

Henry Z. Shelton, Jr.
United States Enrichment Corporation
2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817
Fax: (301) 564-3205

The effective date of any communication shall be thirty (30) calendar days after the date of the receipt of such electronic, facsimile or other communication by the addressee.

(d) Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the United States of America.

(e) Further Assistance. DOE and USEC shall provide such information, execute and deliver any agreements, instruments and documents and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions in this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out its intent and the intent of the Act.

(f) Effective Date. This Agreement shall become effective upon the date of the last signature of the parties to the Agreement.

IN WITNESS WHEREOF, DOE and USEC have caused this Agreement to be executed and delivered as of the date first above written and hereby affix the signatures of their duly authorized representatives:

UNITED STATES DEPARTMENT OF ENERGY

By: signed by Secretary Pena on June 30, 1998
Federico Peña
Secretary

Date: ___________________________________

AND

UNITED STATES ENRICHMENT CORPORATION

By: signed by Mr. Bennett on June 30, 1998
John W. Bennett
Vice President, Advanced Technologies

Date: ___________________________________

Attachment A

Title: **Gaseous Diffusion Plant Worker Assistance Fund**

Purpose: Minimize work force disruption and assist work force transition at the Gaseous Diffusion Plants (GDPs) during the company's fiscal years 1999 and 2000.

Program: **Perform all work force restructuring with a preference for attrition and voluntary separation targeted to preserve necessary employee skills mix. Begin work force restructuring with a voluntary separation program consistent with applicable laws and collective bargaining agreements. An involuntary separation program would be instituted only if this program does not achieve the necessary reductions.**

All Affected Employees would be eligible for enhanced adjustment benefits similar to those offered to workers at DOE defense nuclear facilities.

In addition, funding not spent for worker assistance would be available for economic development projects designed to help create employment for workers.

Funding: $20 million in an account at the Department of the Treasury. To the extent that funds are not utilized for this program, any remaining balances will be transferred to the U.S. Treasury. The Operations and Maintenance (O&M) contractor to implement the GDP severance programs, under applicable laws and contractual commitments, which are estimated to cost $10 million.

Elements: **GDP severance program —** The regular GDP severance programs provided by the O&M contractor are estimated to cost $17,000 per worker and generally provide approximately one week's pay per year of service. The Company will provide funding for the estimated $10 million for the cost of providing benefits equivalent to regular severance benefits for all Affected Employees.

Fund Enhanced Program

Voluntary separation program — USEC would perform work force restructuring with a preference for voluntary separations. Prior to any involuntary separations, to the extent consistent with law and contractual commitments, the O&M contractor would offer employees in surplus labor categories an opportunity to accept an additional week's pay per year of service above what they receive under the GDP severance program as an incentive to voluntarily seek alternative employment. Up to $10 million may be paid by the worker assistance fund for these costs, in addition to GDP severance program.

Enhanced benefits — approximately $5 million paid by the worker assistance fund for assistance similar to that offered to contractor employees of the Department of Energy under authority contained in section 3161 of the National Defense Authorization Act for Fiscal Year 1993.

Outplacement Assistance: provide programs to assist separating employees identify career options, acquire job search skills, and track available positions. All workers are assumed to participate at an average cost per worker of $1,000. Total cost is estimated to be $600,000.

Career Transition Assistance: provide counseling services to address social and economic consequences of separation. Estimated cost is $100,000.

Relocation Assistance: provide up $10,000 to pay for relocation expenses to accept a new job either at a Department of Energy facility, with another government entity or in the private sector. Estimated participation in this program would be 50 workers at an average cost of $5,000. Total cost would be $250,000.

Post-Separation Education Assistance: provide up to $10,000 per displaced worker. This assistance is available for up to a period of four years for tuition and other course-related costs for education or training programs. Participation is estimated at 100 workers with an average cost of $5,000. Total cost estimated at $500,000.

Pre-Separation Education Assistance: provide up to $5,000 in pre-separation training for workers to prepare them for new careers at the time of separation. Participation is estimated at 100 workers with an average cost of $2,500. Total cost is estimated at $250,000.

Displaced Worker Medical Assistance: provide continued medical coverage for employee without access to other medical insurance. Pay the full cost of employer contributions under the Company's health care program for the first year after separation, pay one half employer contributions in the second year, with the displaced worker paying the full COBRA rate in the third and subsequent years. Initial participation in this program is estimated at one-half of those separating, with participation dropping to 20 percent of workers in the second year. Estimated cost per participant is $3,000 in the first year and $1,500 in the second year. Total cost would be approximately $900,000.

Lump Sum Payment: offer separated workers a lump sum benefit of $7,500 in lieu of relocation assistance, post-separation education assistance, pre-separation education assistance, and displaced worker assistance. It is estimated that 300 workers will select the lump sum benefit at a cost of $1.5 million.

Economic Development — an estimated $5 million paid by worker assistance fund. The actual value of the program would be dependent on expenditures for worker assistance.

Economic diversification initiative: all resources remaining in the fund after paying the costs discussed above would be available for allocation to the affected communities for economic development proposals that would create employment suitable for the separated employees. Decisions about funding specific projects would have to be approved by the Departments of Commerce (Economic Development Administration) and the Department of Energy (Office of Worker and Community Transition). Decisions on projects would mirror the current process employed the Department of Energy's economic transition program.

The unemployment rates in both the Piketon, Ohio and Paducah, Kentucky communities are currently higher than the national average.

APPENDIX C

ORO Contractor Preference in Hiring Procedures

This document describes the procedures to be used to implement Preference in Hiring at the Oak Ridge Operations Office.

BACKGROUND:

Section 3161 of the National Defense Authorization Act of FY 1993 provides that, to the extent practicable, terminated employees at a defense nuclear facility should receive preference in filling vacancies in the work force of the Department of Energy and its contractors and subcontractors. The Department has determined that employees must be identified as having helped maintain the Nation's nuclear deterrent during the Cold War in order to qualify for this preference. The preference should be honored by all prime contractors and subcontractors (whose contracts equal or exceed $500,000 in value). Herein, the phrase “DOE contractors” will be used to describe the prime contractors and subcontractors which must honor the preference.

The Department has established the following criteria for determining eligibility for the hiring preference: the individual must be a former employee (1) who was involuntarily terminated (except if terminated for cause); (2) who meets the eligibility standards; and (3) who is qualified for the vacant job at the time the work is to begin. Where qualifications are approximately equal, eligible individuals will be given the preference in hiring. However, the preference will be administered consistent with applicable law, regulation, or executive order and collective bargaining agreements.

This preference is not immediately applicable in situations where positions become available through an outsourcing action or follow-on contract in which the current employees should first be offered their same or similar jobs with the replacement contractor in order to avoid a layoff. In addition, this process is not applicable when a contractor fills vacant positions through internal means, such as promotion or reassignment; it applies only to filling jobs through external new hires.

This procedure implements the Preference in Hiring benefit described below and in the "Department's Interim Planning Guidance for Contractor Work Force Restructuring" issued and revised from time to time, by the Office of Worker and Community Transition (WT-1).

Eligibility

The following criteria for determining eligibility for the hiring preference are contained in the currently issued Department of Energy (DOE) Work Force Restructuring Planning Guidance.

- ♦ All regular employees who were employed by a Department of Energy contractor on September 27, 1991 and worked regular full-time or part-time hours through the date of the reduction-in-force notification are eligible for this preference; OR
- ♦ For intermittent workers or construction workers who have been affected by a work force

restructuring action, the employee must have worked at a defense nuclear facility, as defined by the Office of Worker and Community Transition (WT-1), on or before September 27, 1991 and worked at a facility 180 days prior to the work force restructuring notification. These employees must have worked a total time, including time worked prior to September 27, 1991, equivalent to an employee having worked full-time (2080 hours) from September 27, 1991 to the date of the reduction-in-force notification **or** have actually worked the construction industry standard of full-time (1600 hours) from September 27, 1991 through the date of the reduction-in-force announcement. Employees **must have been affected by the announced restructuring within a reasonable period of time (i.e., one year).**

For intermittent workers, this includes the interruption of a project before its anticipated completion or the completion of the assignment project without prospect for a follow-on assignment at the site where the employee had a reasonable expectation of a follow-on assignment.

General Requirements and Responsibilities:

♦ This preference does **not** supersede other preferences required by applicable law, regulation, executive order and collective bargaining agreements.

♦ Each contractor organization (with input from labor unions when necessary to assist in verifying periods of employment) will be responsible for certifying eligibility for their displaced employees. Employees **must** recertify annually in order to retain their hiring preference.

♦ Employees shall be responsible for their own annual recertification for the preference.

♦ **The following actions will permanently terminate an employee's hiring preference:**

termination for cause from a DOE funded position
failure to recertify annually one year from termination date
voluntary separations for any reason (e.g., voluntarily quit, VRIFs and retirement).

♦ If a person who has exercised the preference to obtain employment with a DOE contractor is subsequently involuntarily laid off in a future reduction-in-force, the individual will once again be eligible to receive the preference for DOE funded work.. The annual recertification requirement is not applicable while an individual is employed in a job with a DOE funded contractor which was obtained utilizing the preference.

- **If a displaced employee goes to work for another DOE funded contractor through the exercise of the preference (i.e., pursuant to a recall) and voluntarily quits in order to obtain employment with another DOE contractor, the employee will permanently lose the preference.**

- The hiring preference can only be exercised on DOE funded work with DOE prime contractors and designated subcontractors (i.e., over $500K).

DOE/ORO Responsibilities:

- Develop and maintain appropriate local procedures for the implementation of the Department's Preference in Hiring policy. Distribute and make procedures available to DOE contractors affected by downsizing.

- Review contractor preference-in-hiring processes and career center records periodically to ensure that these procedures are being effectively implemented.

- Ensure that DOE-ORO's website and reading room have the most up-to-date information regarding the current WFR plan.

- Periodically review preference-in-hiring procedures and update as necessary. Arrange and attend meetings with contractor and union representatives to discuss the implementation of the preference and provide advice and assistance as needed to help clarify WFR issues.

Contact: Lisa Carter, IPG, 423-576-0141

Contractor Responsibilities:

When laying off employees:

- Upon laying off employees, ensure that impacted employees are informed about their eligibility for the Hiring Preference and 3161 assistance and benefits to include an explanation of what actions will terminate the preference and/or benefits; assist employees in completing the form (attached) claiming preference; and provide appropriate information to the Career Center/Job Opportunity Bulletin Board System (JOBBS).

- Establish a process for updating and removing outdated JOBBS submissions.

- Identify representatives of the company who will certify the employee's eligibility. Certify an employee's eligibility for the hiring preference by signing on the appropriate line of the "Preference in Hiring" form (copy attached).

- Retain for one year, a certified copy of the preference in hiring form from each employee who exercised the preference. Outdated forms should be destroyed when replaced by an updated form during each employee's annual recertification. **Employees who used the preference to obtain a job with a DOE funded contractor do not have to recertify unless they are subsequently laid off again.**

- Retain a list of employees who are no longer eligible for the preference (i.e.,VRIFs, early retirees, voluntary quits, folks who don't recertify, recalls) with your organization. Human Resource representatives should maintain communication with other area (i.e. Oak Ridge) contractors to ensure that the most up-to-date information is available regarding the displaced employee's status (i.e., VRIF, voluntary quits, etc.) **A displaced employee who voluntarily quits, is terminated for cause, or does not recertify annually, will permanently lose the hiring preference.**

- Explain eligibility criteria for hiring preference, DWMB and educational assistance before the displaced employee leaves the payroll.

When filling jobs by new hire:

- List all job vacancies, not filled with internal candidates or recalls governed by a collective bargaining agreement, with JOBBS, and the local Career Center.

- Verify that all preference in hiring forms include a contractor certifying official's signature. Assist applicant in obtaining certification from the former employer if generic form is lacking certification when submitted; please see the remainder of this section.

- Review the cold war worker's list at the Career Center and/or in the JOBBS database and give consideration to eligible displaced employees before other external hiring on DOE funded work takes place. Where a displaced employee with the hiring preference and other external candidates are considered to have approximately equal qualifications, preference should be given to the individual with the hiring preference. This preference does not outweigh or override other preferences required by statue or executive order and must be administered consistent with applicable law, regulation, or executive order, and collective bargaining agreements. Records should be kept for each external hire that did not result in preference-in-hiring, along with an explanation for why the hiring preference candidate was not chosen. Contractors may first recall or rehire former employees who were laid-off due to lack of DOE work or funding before using cold war worker preference lists (i.e., JOBBS).

- Verify as necessary with the Career Center (or former employer) eligibility for the Preference claimed by direct applicants. **All preference forms signed after April 1, 1998 must be verified and signed by an official of the former employer.**

- Higher priority should normally be given to preference-in-hiring candidates from the local commuting area, before candidates from other DOE sites.

- ♦ It is the responsibility of the hiring organization to verify a displaced employee's status for preference. No preference-in-hiring forms should be accepted by the hiring organization if the form has not been signed by a certifying official. **For employees who received the preference prior to the new forms being put into place, the hiring company or organization must verify eligibility with the company and/or organization that displaced the employee to verify eligibility date for the preference.**

  Contact: Contractor Human Resource organizations

Job Opportunity Bulletin Board System (JOBBS)

- ♦ SAIC, under a contract with the DOE Office of Worker and Community Transition (WT-1) operates a system to assist with the implementation of the hiring preference by eligible individuals and contractors. Those individuals who have applied for and have been determined to be eligible for the preference may have their resumes entered into the JOBBS where they will be specifically identified across the DOE complex as job seekers with the preference. Companies doing new business with DOE should place job announcements into the JOBBS. Contractors should have someone cognizant from their company to input resumes into the JOBBS system. The JOBBS web site is http://www.doejobbs.com/

  For those who do not have Internet access and are using a dial-up bulletin board system to access JOBBS, software is now available for installation that provides a graphical user interface. If you would like a copy of this software, please contact Laurel Smith at 202-586-4091. Also JOBBS has added a fax-on-demand service which provides touch-tone access to the want ads and resumes. The fax-in telephone number is temporarily unavailable but will be updated in the near future.

  JOBBS Contact information: Emily Nunn, LMES, 576-4269 or Chip Gagne, SAIC, 877-578-5140 (toll-free) or 301-353-1874.

Labor Union Responsibilities (Bargaining Unit representatives):

- ♦ Coordinate and cooperate with contractor representatives upon request to verify periods of employment that would assist a hiring contractor in establishing the hiring preference of the individual.

- Provide assistance to the membership regarding the applicability of the hiring preference and the rules for implementing the preference (i.e. recall rights, annual recertification and actions that will terminate the preference).

  Contact: Labor Union contact

Employee Responsibilities:

- Verify their status with their employer's Human Resource Department and fill out the DOE approved preference in hiring form **before** leaving the payroll. This form (copy attached) should be signed by the appropriate certifying official for each company. **All forms must be signed by the certifying official verifying eligibility for the preference, so the forms will be accepted as valid.**

- Annually recertify (in January for all displaced and former employees) for the preference with their former employer and at the Career Center. Forms can be obtained from the individual's former employer, the Career Center or ORO Industrial Personnel.

- Employees should retain a copy of the Preference form for their record. It is the responsibility of each employee to take a signed and verified copy of the preference to the hiring employer as evidence of the preference.

- Eligible individuals who do not want to enter their resumes into JOBBS are responsible for informing potential employers of their preference, by submitting a copy of the certified form.

Career Center Responsibilities:

- Identify employees who meet the eligibility criteria for the Preference as "cold war workers", enter their resumes into the JOBBS and flag each as a worker with the hiring preference on behalf of those contractors that request such assistance by the Career Center.

- Maintain accurate records of annual recertifications of LMES/LMER employees and of other contractors that the Career Center has agreed with to maintain such records.

  Contact: Emily Nunn, LMES Career Center, 576-4269

Questions: Employees who have a question about the applicability of the preference, or a concern regarding the use of the preference are encouraged to contact their former employer. Individuals may also contact DOE/ORO for assistance.

10/15/98

OAK RIDGE OPERATIONS OFFICE PREFERENCE IN HIRING FORM

STATEMENT OF INTEREST IN MAINTAINING SECTION 3161 EMPLOYMENT ELIGIBILITY

NAME: ____
First Middle Last

SOCIAL SECURITY: _________ ___ ________

MAILING ADDRESS: ____
Street Apt. Number
____
P. O. Box (if applicable)
____
City State Zip

TELEPHONE NUMBER: __________________ (DAY)_______________(EVE)

DATE OF LAYOFF RESULTING FROM WORK FORCE RESTRUCTURING:

DATE: ______________ LOCATION (SITE) _______________
(Month/Day/Year)

NAME OF FORMER EMPLOYER: ____
POSITION/TITLE WITH FORMER EMPLOYER________________________________
OCCUPATIONS/TRAINING/CERTIFICATIONS (CLASSIFICATIONS HELD):
____
____

I HEREBY REQUEST THAT MY NAME BE PLACED, OR RETAINED FOR THE SECTION 3161 PREFERENCE IN HIRING FOR THE OAK RIDGE RESERVATION AND BE CONSIDERED FOR ANY JOB OPPORTUNITIES THAT MAY ARISE FOR WHICH I AM QUALIFIED AT THIS OR ANY OTHER DEPARTMENT OF ENERGY SITE. I ALSO CERTIFY THAT I HAVE NOT VOLUNTARILY TERMINATED OR BEEN TERMINATED FOR CAUSE FROM EMPLOYMENT BY A DEPARTMENT OF ENERGY CONTRACTOR OR SUBCONTRACTOR WHILE PERFORMING WORK AT A DEPARTMENT OF ENERGY SITE. I UNDERSTAND THAT TO MAINTAIN MY ELIGIBILITY I MUST RECERTIFY WITH MY FORMER EMPLOYER ONE YEAR FROM THE DATE OF LAYOFF AND ANNUALLY THEREAFTER.

XV. CHECK THIS BOX IF YOU WISH TO HAVE YOUR RESUME ENTERED INTO JOBBS DATABASE AND FLAGGED WITH PREFERENCE.

____________________ ____________________ ____________________
Employee Name (Print) Signature Date

....

I certify that the above named employee is eligible to receive the hiring preference.

____________________ ____________________ ____________________
Name of Contractor/Certifying Official (Name & Title) Signature Date